

WEEKLY UPDATES ON COMPANY LAW, SEBI, RBI AND IBC

Week 05– January27 to February03, 2020

1

**Companies Act 2013 during the week**

**Rules - 2; Circulars - 1; Notifications – 1; Orders-0; Important Notices - 0**

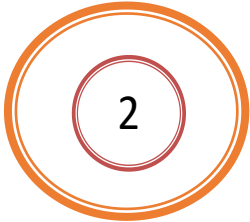
S. No	Date of Issue	Rules/Circular/ Notification/Order	Contents thereof	Gist thereof
1	28.01.2020	Rules	Companies (Winding up)Rules,2020	<p>The Ministry of Corporate Affairs have notified rules for winding up small businesses without having to go to a tribunal, under a provision in the Companies Act that offers an alternative to the commonly used liquidation procedure under Insolvency &amp; bankruptcy code.</p> <p>The rules will be applicable to companies that have assets of book value not exceeding Rs 1 crore; and have not taken deposits beyond Rs</p>

				<p>25 lakhs or have no secured loans beyond Rs 50 lakhs or turnover beyond Rs 50 crores or paid up capital beyond Rs 1 crore.</p> <p>The Companies (Winding Up) Rules, 2020 provide processes for winding up, Forms to be filed, their respective fees and timeline within which it has to be filed.</p> <p>This Rule will be effective from April 1, 2020.</p>
2	31.01.2020	Rules	Companies (Accounts)Amendment Rules,2020	<p>MCA through this rule, require NBFC that is required to comply with IndAS to file the Financial statement to Registrar in Form AOC- 4 NBFC (IndAS) and consolidated Financial statement in Form AOC -4 CFS NBFC (IndAS).</p> <p>These Rules shall come into force on the date of their publication in Official Gazette.</p>
3	30.01.2020	Circulars	Relaxation of additional fees and extension of last date of filing of AoC-4 NBFC (Ind AS) and AoC-4 CFS NBFC (Ind AS) for FY 2018-	<p>MCA has extended filing of Form AOC-4 NBFC (IndAS) and Form AOC -4 NBFC CFS (Ind AS) for financial year2018-2019, without payment of additional fee till 31.03.2020</p>

			19 under the Companies Act, 2013 - reg.	
4	30.01.2020	Notification	Notification of under section 67 of LLP	Through this Notification, MCA directs that provisions of section 460 of the Companies Act, 2013 (Condonation of Delay by Central Government in certain cases) shall apply to a limited liability partnership from the date of publication of this notification in the official Gazette.

S. No	NEWS ON MCA
1	<p><b><u>MCA may soon tighten reporting norms for auditors</u></b></p> <p>For the CAROs, the MCA may now ask auditors to file the report digitally, instead of filing it as a part of the annual report. The National Financial Reporting Authority (NFRA) will likely meet at the end of January to decide on changes to the existing CARO.</p>
2	<p><b><u>Sec. 164(2) Of Companies Act Valid; But FY Before 2014-15 Not Relevant For Its Application: Allahabad HC</u></b></p> <p>In a significant ruling, Allahabad High Court has upheld the constitutional validity of Section 164(2) of the Companies Act 2013 which stipulates that a Director whose Company has not filed financial statements or annual returns for any continuous period of three financial years shall be disqualified from holding the position for five years.</p>
3	<p><b><u>Judgement on Merger and Acquisiton</u></b></p> <p><b>Absence of the company's power to amalgamate in Memorandum of Association</b></p> <p><i>Re: Aimco Pesticides Ltd. vs Unknown [27 April 1998]</i></p> <p><i>[Cited in (2001) 103 Comp Cas 416 (Bom)]</i></p>

	<p>The Bombay High Court held that it cannot be said that the memorandum of association of the petitioner-company does not provide for the company to arrive at an arrangement with another company as because the Companies Act bestows upon every company a statutory power to arrive at such an arrangement, which the court is required to sanction</p>
4	<p><b><u>Judgement on Merger and Acquisition</u></b>  <b>Escaping Tax Through Merger</b>  <i>Re: Gabs Investments Pvt Ltd (Gabs) with Ajanta Pharma Ltd (Ajanta Pharma)</i>          Accepting the contention of the Income Tax Authority, NCLT, Mumbai held that the scheme cannot be approved because there will be a huge loss of revenue, if this amalgamation scheme is approved by NCLT.</p>



### SEBI during the week

**Act -0; Rules -0; Regulations-0; General Orders – 0; Guidelines- 0;  
Master Circulars-0; Circulars – 0; Press Release –0; Others -0;**

S. No	Date of Issue	Act/rules/circulars....	Subject & Link	Gist thereof

S. No	NEWS ON SECURITIES EXCHANGE BOARD OF INDIA
1.	<b><u>Sebi investigated an unprecedented number of alleged insider trading violations in FY19</u></b> Insider trading is emerging to be one of the most prominently scrutinised cases of violations by market regulator Securities and Exchange Board of India. Data from the regulator’s annual reports for the last five years indicate an increase in the scrutiny of alleged cases of violations of insider trading regulations.
2	<b><u>Sebi panel prepares draft norms for social stock exchange</u></b> A social stock exchange typically allows investors to invest in select social enterprises or social initiatives
3	Supreme Court gives SEBI 4 months for probing SCORES complaint issue

4	<p><b><u>Sebi panel proposes overhaul of norms governing related party transactions:</u></b></p> <p>A Sebi-appointed panel has proposed sweeping changes to strengthen the monitoring and enforcement of norms pertaining to related party transactions.</p> <p>Tweaking the definition of Related Party and Related Party Transactions (RPTs) and revising thresholds for classification of such transactions as material are among the recommendations.</p> <p>Also, the committee has proposed changes to the process followed by a company's audit committee for approval of RPTs that are material. Further, a format for reporting of RPTs to the stock exchanges has been mooted.</p>
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**RBI during the week**

**Notifications -0; Master Directions –0; Master Circulars – 0; Circular -0;**

**Press Release – 0;**

S. No	Date of Issue	Notifications/Master Directors/Master Circulars	Subject & Link	Gist thereof

S. No	NEWS ON RESERVE BANK OF INDIA
1	<p><b><u>Kotak Bank smokes peace pipe with RBI, gets breather</u></b></p> <p>After months of legal tussle, private sector lender Kotak Mahindra Bank and the Reserve Bank of India (RBI) have finally worked out a peace deal. The bank has subsequently withdrawn its writ petition filed in the Bombay High Court against the central bank. On Thursday, Kotak Bank stated that the Reserve Bank has agreed in principle to cap promoter’s voting rights at 20 per cent of the paid-up voting equity share capital until March 2020. However, it should be reduced to 15 per cent by April.</p>

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**IBC during the week**

**Notifications -1; Master Directions –0; Master Circulars – 0; Circular –0 ;**

**Press Release –0 ;**

S.No	Date of Issue	Notifications/Master Directors/Master Circulars	Subject & Link	Gist thereof
1	28.01.2020	Notification	Transfer of membership from one RVO to another	<p>The Insolvency and Bankruptcy of India has prescribed strict timelines and procedures for seamless transfer of membership from one Registered Valuer Organisation to another.</p> <p>The Companies (Registered Valuers and Valuation) Rules, 2017 (Rules) envisage Registered Valuer Organisations (RVOs) to act as front-line regulators for</p>



				<p>development and regulation of the valuation profession. The Rules envisage that a member may shift membership from one RVO to another, subject to prior permission of the Insolvency and Bankruptcy Board of India</p> <p>Various Forms for transferring the membership, fee for each form, document requirements and the maximum timelines are provided in these Rules.</p>
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S. No	NEWS ON INSOLVENCY AND BANKRUPTCY CODE
1	<p><b><u>Economic Survey 2020 gives a thumbs up to Insolvency and Bankruptcy Code</u></b>            The survey underscores that the IBC has improved the resolution process in India as compared to the earlier measures. The IBC proceedings take 340 days on average compared to 4.3 years earlier and resulted in the recovery of 42.5% amount involved compared to 14.5% under SARFAESI Act</p>
2	<p><b><u>Lease rent dues of an immovable property not 'Operational Debt' under IBC, NCLAT</u></b>            The National Company Law Appellate Tribunal (NCLAT) has held that the lease rent dues of an immovable property does not fall within the ambit of 'Operational Debt' under the Insolvency and Bankruptcy Code, 2016 (IBC).</p>
3	<p><b><u>Dewan Housing Finance withdraws draft resolution plan</u></b>            Stressed mortgage lender Dewan Housing Finance Corp Ltd (DHFL) on Monday withdrew a resolution plan it had submitted to lenders and other institutional creditors in September 2019.</p>

S. No	GENERAL NEWS
1	<p><b><u>DRT Has No Power To Condone Delay In Filing Review Application Under RDB Act</u></b>            The Supreme Court has held that the Debts Recovery Tribunal has no power to condone the delay in filing application for review under the Recovery of Debts and Bankruptcy Act 1993(RDB Act).The court held that the provisions of Limitation Act, including the provision to condone delay under section 5 of it, apply only to original applications filed under section 19 of RDB Act and not to review applications.</p>
2	<p><b><u>Govt starts search for new Sebi chief</u></b>            The Centre has started a search process to find the next chairman of the Securities and Exchange Board of India (Sebi). It has called for applications from interested candidates before February 10, according to a notice on the finance ministry's website. Incumbent Sebi chief Ajay Tyagi's three-year term ends in March. The 62-year-old, however, is eligible for reappointment as according to rules, a person can hold the chairman's position until the age of 65.</p>
3	<p><b><u>Easier FDI norms coming for Most Favoured Nations</u></b>            The government is mulling a new investment law that will categorise nations into 'most favoured' and 'not pro-India' besides emphasizing contract enforcement and fast-track dispute resolution.</p>
4	<p><b><u>New Resolution Authority in works; to curb failure of large financial institutions</u></b>            The Finance Ministry is working on putting in place a comprehensive resolution framework for financial institutions that have precarious financial position. It is to ensure that failure of some of the systemically important financial institutions does not affect the entire system.</p>



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